

## Message Text

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ACTION EB-07

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6528

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EXCON

E.O. 11652: N/A

TAGS: ESTC, JA

SUBJECT: DISTRIBUTION LICENSE PROCEDURE: COPAL ELECTRONICS CO., LTD.

REF: STATE A-93

1. EMBASSY RECOMMENDS THAT COPAL ELECTRONICS CO., LTD. (CPC), NO. 26, SHIBA NISHIKUBO SAKURAGAWA-CHO, MINATO-KU, TOKYO, JAPAN, BE ACCEPTED AS A CONSIGNEE UNDER THE DISTRIBUTION LICENSE PROCEDURE. ACCORDING TO OUR INVESTIGATION, CPC APPEARS TO MEET REQUIREMENTS OF EXPORT ADMINISTRATION REGULATIONS, PART 373.3, IN TERMS OF (A) DIRECT APPOINTMENT AS DISTRIBUTION AGENT BY AN AMERICAN EXPORTER, (B) PREREQUISITE VOLUME OF BUSINESS, AND (C) STATUS OF DISTRIBUTION IN JAPAN OF THE SUBJECT COMMODITY,

2. MR. KIZO YOSHIDA, DEPUTY GENERAL MANAGER OF CPC INTERNATIONAL DIV STATED FOLLOWING IN REGARD TO ITS BUSINESS RELATIONS WITH LITTON SYSTEMS, INC. (LITTON), OF MT. VERNON, N.Y.:

A) DISTRIBUTION AGENT AGREEMENT DATED AUG 20, 1970, WAS ORIGINALLY SIGNED BETWEEN PRESIDENT MASATO KASAI OF CPC'S PARENT FIRM, COPAL COMPANY LTD. (CCL), NO. 16-20, SHIMURA 2-CHOME, ITABASHI-KU, TOKYO, JAPAN, AND MR. ROBERT W. QUINN, MANAGER OF POTENTIOMETER DIV OF LITTON (THEN STYLED LITTON PRECISION PRODUCTS, INC.). ABOUT A MONTH LATER, HOWEVER, CPC WAS SUBSTITUTED FOR CCL AS  
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THE JAPANESE CONTRACTING PARTY UNDER THE AGREEMENT,

SUBSEQUENTLY, THIS AGREEMENT, UNDER WHICH CPC WAS GRANTED THE NON-EXCLUSIVE RIGHT TO DISTRIBUTE THREE TYPES OF LITTON-MADE POTENTIOMETERS (CONDUCTIVE PLASTIC, CARBON FILM AND WIREWOUND TYPES) WITHIN JAPAN, HAS AUTOMATICALLY BEEN EXTENDED EVERY YEAR TO DATE. (NOTE: EMBASSY STAFF HAS REVIEWED SIGNED AGREEMENT AND SUBSEQUENT EXCHANGE OF CORRESPONDENCE BETWEEN CCL AND LITTON RE SUBSTITUTION OF CPC AS JAPANESE PARTNER.

B) CPC'S ACTUAL IMPORT OF LITTON'S POTENTIOMETERS UNDER THE ABOVE AGREEMENT BEGAN LATE 1971, THROUGH IMPORTER, ASAHIBUSSAN CO., LTD., TRADING FIRM IN TOKYO, WHICH WAS EXPORTING CCL'S PRODUCTS AND IMPORTING VARIOUS ITEMS FOR DELIVERY TO CCL. HOWEVER, CPC ESTABLISHED ITS OWN EXPORT-IMPORT DIVISION IN 1974; IT BEGAN TO IMPORT DIRECTLY FROM LITTON IN SEPT 1975.

C) CPC HAD THUS IMPORTED APPROXIMATELY 800 UNITS OF LITTON'S POTENTIOMETERS BY THE END OF 1975. EXCEPT FOR SOME 10 PERCENT OF THEM DELIVERED TO A FEW DOMESTIC MANUFACTURERS OF MEASURING APPARATUS, THOSE POTENTIOMETERS HAVE BEEN DELIVERED TO TOKYO KEIKI CO., LTD. (TKC) (SEE OUR WTDR 06/74), NO. 16-46, MINAMI KAMATA 2-CHOME, OHTA-KU, TOKYO, JAPAN, WHICH IS A MANUFACTURER OF AERONAUTICAL AND MARINE NAVIGATIONAL EQUIPMENT. AT TKC'S PLANT THEY WERE INCORPORATED INTO NAVIGATIONAL COMPUTERS WHICH WERE MOUNTED ON F4-E PHANTOM JET FIGHTERS ASSEMBLED BY MITSUBISHI HEAVY INDUSTRIES, LTD. (MHI). THIS IMPORT AND DISTRIBUTION PATTERN IS EXPECTED TO REMAIN UNCHANGED AT LEAST FOR THE NEXT FEW YEARS.

\$) LITTON HAS APPLIED FOR DISTRIBUTION LICENSE FOR CPC BECAUSE IN RECENT YEARS IT HAS HAD TO APPLY FOR MANY INDIVIDUAL EXPORT LICENSES FOR SHIPMENT OF SMALL LOTS TO TKC, WHOSE NEEDS CORRESPONDED MHI'S PRODUCTION SCHEDULE AS WELL AS FOR OCCASIONAL REPLACEMENT ORDERS FOR ONE OR TWO UNITS REJECTED BY TKC'S PERFORMANCE TESTS. THE TOTAL NUMBER OF LITTON'S SHIPMENT TO CPC IN AND AFTER 1976 IS EXPECTED TO INCREASE

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BY AT LEAST 20 PERCENT; AS RESULT OF CPC'S EFFORTS TO DEVELOP A MARKET FOR LITTON-MADE POTENTIOMETERS OUTSIDE THE TKC-JDA CHANNEL. (NOTE: END MR. YOSHIDA'S STATEMENT.)

3. IN REPLY TO OUR INQUIRY, MR. NOMURA OF TKC AERONAUTICAL PROCUREMENT DIV CONFIRMED CPC'S STATEMENT IN C ABOVE, STATING THAT FROM EARLY 1972 THROUGH THE END OF

1975 APPROXIMATELY 700 UNITS OF LITTON-MADE POTENTIOMETERS WERE PURCHASED BY TKC FROM CPC; THAT THEY WERE INCORPORATED INTO TKC-MADE NAVIGATIONAL COMPUTERS DELIVERED TO MHI UNDER ITS CONTRACT WITH JDA; AND THAT TKC'S DEMAND FOR LITTON'S POTENTIOMETERS IS EXPECTED TO CONTINUE THROUGH COMPLETION OF MHI'S PRODUCTION SERIES OF F4-E FIGHTERS IN APRIL 1978 AND 5 TO 7 YEARS THEREAFTER FOR SPARES AND REPLACEMENTS.

4. EMBASSY'S INVESTIGATION REVEALS THAT CPC'S PARENT FIRM, CCL WHICH IS RECOGNIZED AS ONE OF THE LEADING MAKERS OF CAMERA SHUTTERS IN JAPAN, WAS ESTABLISHED IN 1949 AT AN INITIAL CAPITAL OF 600,000 YEN AND IS ENGAGED IN THE MANUFACTURE OF DIGITAL CLOCKS, MOVIE CAMERAS, TAPE RECORDERS, MACHINE TOOLS, ETC., BESIDES SHUTTERS. IT NOW HAS A PAID-UP CAPITAL OF 1.9 BILLION YEN. CPC WAS ESTABLISHED BY CCL IN APRIL 1967 AT A CAPITAL OF 70 MILLION YEN AND WITH 50 EMPLOYEES FOR THE PURPOSE OF R&D OF CCL-MADE ELECTRONIC PARTS AND OF THE DISTRIBUTION OF POTENTIOMETERS PURCHASED FROM DOMESTIC AND FOREIGN SOURCES. 50 PERCENT OF CPC'S STOCK IS OWNED BY CCL AND REMAINDER BY THREE INDIVIDUALS INCLUDING CPC BOARD CHAIRMAN TAKASHI SASAKI. BANKING SOURCES STATED TO EMBASSY THAT THEIR TRANSACTIONS WITH CPC HAVE CONSISTENTLY BEEN SOUND. WTDR ON CPC WILL FOLLOW SEPTTEL.  
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